



CALCULATION OF CAPITAL GAINS DEDUCTION FOR 2000

Use this form if you disposed of **qualified farm property** or **qualified small business corporation shares** in 2000 or a previous year. For the definitions of qualified farm property and qualified small business corporation shares, see the guide called *Capital Gains*.

Note

Any capital gains realized from the disposition of qualified farm property or qualified small business corporation shares, while you were a non-resident of Canada, are not eligible for the capital gains deduction.

You have to be a resident of Canada throughout 2000 to be eligible to claim the capital gains deduction. For the purposes of this deduction, we also consider you to be a resident throughout 2000 if you were a resident of Canada for part of 2000 and throughout 1999 or 2001.

If you have investment income or investment expenses in 2000, complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2000*, before you complete this form. Form T936 lists what is considered to be investment income and expenses. You can get this form from our Web site or from your tax services office.

What is the capital gains deduction limit?

There is a limit to the amount of capital gains deduction that you can claim. This limit depends on the type of capital property that you disposed of. If you disposed of qualified farm property or qualified small business corporation shares, you may be eligible for the \$500,000 capital gains exemption. As a result of the February 28, 2000, federal budget and the October 18, 2000, economic statement, your cumulative capital gains deduction is \$250,000 (one-half of \$500,000). For more information, see the section called "Claiming a capital gains deduction" in the guide called *Capital Gains*.

Qualified farm property

When you dispose of qualified farm property and have a capital gain, you can claim a capital gains deduction in 2000 that is equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2000;
- your cumulative gains limit for 2000;
- your net taxable capital gains in 2000, from dispositions of qualified farm property after 1984; or
- your maximum capital gains deduction available for 2000.

Qualified small business corporation shares

When you dispose of qualified small business corporation shares and have a capital gain, you can claim a capital gains deduction in 2000 equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2000, **minus** any capital gains deduction for qualified farm property claimed in 2000;
- your cumulative gains limit for 2000, **minus** any capital gains deduction for qualified farm property claimed in 2000;
- your net taxable capital gains in 2000 from dispositions of qualified small business corporation shares after June 17, 1987; or
- your maximum capital gains deduction available for 2000.

If you own shares of a qualifying small business corporation that, after 1995, stops being a small business corporation because a class of its shares is listed on a prescribed stock exchange, there is an election available to you. This election will allow you to report a capital gain on your return and claim the \$250,000 capital gains deduction, even though you did not actually sell your shares. The deduction applies to any gains you have on these shares to the date the shares are listed. To make this election, complete Form T2101, *Election in Respect of Gains on Shares of a Corporation Becoming Public*. You can get this form from our Web site or from your tax services office.

Calculating your total taxable capital gains (or losses) for 2000

Total net capital gains (or losses) for Period 1 (before February 28, 2000):
 Total of lines 202, 204, and 211 in Part 1 of Schedule 3 **plus**
 lines 6683 and 6690 in Area I of Form T2017 (if the amount is a loss, show it in brackets) _____ | A

Total net capital gains (or losses) for Period 2 (after February 27, 2000, and before October 18, 2000):
 Total of lines 107, 110, and 124 in Part 2 of Schedule 3 **minus** the total of
 lines 6681 and 6688 in Area II of Form T2017 (if the amount is a loss, show it in brackets) + _____ | B

Total net capital gains (or losses) for Period 3 (after October 17, 2000):
 Total of lines 5651, 5653, and 5655 in Part 3 of Schedule 3 **minus** the total of
 lines 6676 and 6677 in Area III of Form T2017 (if the amount is a loss, show it in brackets) + _____ | C

Total net capital gains (or losses) for the year 2000 (line A **plus** line B **plus** line C) = _____ | D

Your inclusion rate for the year 2000 (get this rate from line 16 in Part 4 of Schedule 3) x | . | . | . | . | . | % E

Total taxable capital gains (or losses) for the year 2000 (line D multiplied by line E) = _____ | F

Enter the amount from line F on line 1 of Part 1 below.

Part 1 – Calculating your annual gains limit for 2000

Total taxable capital gains (or losses). Amount from line F above _____ | 1

Farming income eligible for the capital gains deduction
 (line 173 in Part 2 of Schedule 3) + _____ | 2

Eligible taxable capital gains or losses (line 1 **plus** line 2; if negative, enter "0") = _____ | 3

Total taxable capital gains or net capital losses from line 17 (also line 199) in Part 4 of
 Schedule 3 (if the amount is a loss, show it in brackets) _____ | 4

Enter the amount from line 2 above + _____ | 5

Line 4 **plus** line 5 (if the amount is a loss, enter "0") = _____ | 6

2000 eligible taxable capital gains: enter the amount from line 3 or 6, **whichever is less**. (If line 7 is zero, you cannot claim a capital gains deduction for 2000) _____ ▶ | 7

Net capital losses of other years deducted in 2000
 (line 253 of your 2000 return) _____ a

Net capital losses of other years applied against net
 non-eligible taxable capital gains in 2000 (line 7 in Part 1 of
 Form T936 for 2000) - _____ b

Net capital losses of other years (line a **minus** line b; if
 negative, enter "0") = _____ ▶

Allowable business investment losses (line 217 of your 2000 return) + _____ | 8

Line 8 **plus** line 9 = _____ | 9

Annual gains limit for 2000 (line 7 **minus** line 10; if negative, enter "0") - _____ | 10

..... = _____ | 11

If line 11 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2000.

Part 2 – Calculating your cumulative gains limit for 2000

Total taxable capital gains reported after 1984 and before 1992 (line 127 of your returns for these years). Do not include reserves reported on property disposed of before 1985			12	
1992 and 1993 eligible taxable capital gains (line 3 in Part 1 of Form T657 or T657A for 1992 and 1993)	+		13	
1994 eligible taxable capital gains (line 5 in Part 1 of Form T657 or T657A for 1994)	+		14	
1995 eligible taxable capital gains (line 7 in Part 1 of Form T657 or line 3 of Form T657A for 1995)	+		15	
1996 to 1999 eligible taxable capital gains (line 8 in Part 1 of Form T657 for those years)	+		16	
2000 eligible taxable capital gains (line 7 of Part 1 on page 2)	+		17	
Cumulative eligible taxable capital gains (total of lines 12 to 17)	=			18
Allowable capital losses claimed in 1985 (amount shown in brackets on line 127 of your 1985 return; maximum of \$2,000)			19	
Allowable business investment losses claimed after 1984 and before 2000 (line 217 on your 1985 to 1999 returns)	+		20	
Net capital losses of other years claimed after 1984 and before 2000 (enter the total of amounts in column G of Chart 1 on page 5)	+		21	
Total losses used to calculate your annual gains limit for 2000 (from line 10 of Part 1 on page 2)	+		22	
Cumulative net investment loss to December 31, 2000 (line C in Part 3 of Form T936 for 2000)	+		23	
Total capital gains deductions claimed after 1984 and before 2000 (line 254 on your 1985 to 1999 returns)	+		24	
Total of lines 19 to 24	=			25
Cumulative gains limit for 2000 (line 18 minus line 25; if negative, enter "0")	=			26

If line 26 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2000.

Part 3 – Calculating your capital gains deduction on qualified farm property

Complete this part if:

- you disposed of qualified farm property in 2000 other than eligible capital property (see note 1 on page 6); or
- you are reporting a reserve in 2000 on qualified farm property you disposed of after 1984.

Maximum capital gains deduction for qualified farm property for 2000	\$250 000	00	27	
Capital gains deductions from previous years (line g of Chart 2 on page 5)	-		28	
Line 27 minus line 28; if negative, enter "0"	=		29	
Correction factor = $\frac{\text{Inclusion rate}}{\text{Inclusion rate}} \times 2$ (see note 2 on page 6)	X	2	30	
Capital gains deduction available for qualified farm property for 2000 (line 29 multiplied by line 30)	=			31
Taxable capital gains from the disposition of qualified farm property in 2000:				
Line 204 plus line 211 in Part 1 of Schedule 3 ..	+			
Line 6683 of Form T2017	+			
Line 110 plus line 124 in Part 2 of Schedule 3 ..	+			
Line 6681 of Form T2017	-			
Line 5653 plus line 5655 in Part 3 of Schedule 3 ..	+			
Line 6676 of Form T2017	-			
Total	=			32
Farming income eligible for the capital gains deduction (line 173 in Part 2 of Schedule 3). See note 1 on page 6	+			33
Total taxable capital gains from the disposition of qualified farm property (line 32 plus line 33)	=			34
Capital gains deduction on qualified farm property – The maximum amount that you can enter on line 35 is the least of lines 11, 26, 31, and 34. However, you can enter an amount that is less than the maximum	=			35

If, in 2000, you disposed of qualified small business corporation shares or reported a reserve from a previous year for such shares, complete Part 4. Otherwise, complete Part 5 on page 4.

Part 4 – Calculating your capital gains deduction on qualified small business corporation shares

Complete this part if:

- you disposed of qualified small business corporation shares in 2000; or
- you are reporting a reserve in 2000 on qualified small business corporation shares you disposed of after June 17, 1987.

Maximum capital gains deduction for qualified small business corporation shares for 2000	\$250 000 00	36
Capital gains deductions from previous years (line g of Chart 2 on page 5)	-	37
Line 36 minus line 37; if negative, enter "0"	=	38
Correction factor = $\frac{\text{Inclusion rate}}{\text{Inclusion rate}} \times 2$ (see note 2 on page 6)	x	39
Capital gains deduction available for qualified small business corporation shares for 2000 (line 38 multiplied by line 39)	=	40
Taxable capital gains from the disposition of qualified small business corporation shares in 2000:		
Line 202 in Part 1 of Schedule 3		
Line 6690 of Form T2017	+	
Line 107 in Part 2 of Schedule 3	+	
Line 6688 of Form T2017	-	
Line 5651 in Part 3 of Schedule 3	+	
Line 6677 of Form T2017	-	
Total	=	x $\frac{\text{Inclusion rate}}{\text{Inclusion rate}}$ 41
Annual gains limit (from line 11 of Part 1 on page 2)		42
Capital gains deduction on qualified farm property (line 35 of Part 3 on page 3)	-	43
Net annual gains limit (line 42 minus line 43)	=	44
Cumulative gains limit (line 26 of Part 2 on page 3)		45
Capital gains deduction on qualified farm property (line 35 of Part 3 on page 3)	-	46
Net cumulative gains limit (line 45 minus line 46)	=	47
Capital gains deduction on qualified small business corporation shares – The maximum amount that you can enter on line 48 is the least of lines 40, 41, 44, and 47. However, you can enter an amount that is less than the maximum		48

Part 5 – Calculating your maximum capital gains deduction for 2000

Maximum capital gains deduction on all capital property	\$250 000 00	49
Capital gains deductions from previous years (line g of Chart 2 on page 5)	-	50
Line 49 minus line 50; if negative, enter "0"	=	51
Correction factor = $\frac{\text{Inclusion rate}}{\text{Inclusion rate}} \times 2$ (see note 2 on page 6)	x	52
Capital gains deduction available for 2000 (line 51 multiplied by line 52)	=	53
Capital gains deduction on qualified farm property (line 35 of Part 3 on page 3)		54
Capital gains deduction on qualified small business corporation shares (line 48 in Part 4 above)	+	55
Line 54 plus line 55	=	56
The maximum amount you can enter on line 57 is the lesser of lines 53 and 56. However, you can enter an amount that is less than the maximum. Enter this amount on line 254 of your 2000 return		57

Chart 1 – Calculating line 21, net capital losses of other years

- Column A** Enter the amount of net capital losses from other years claimed for each year indicated (amount from line 253 of each return).
- Column B** For 1985, 1986, and 1987, enter 1/2 of reserves included in capital gains for capital property disposed of before 1985 (1/2 of those reserves reported on your Schedule 3 for 1985, 1986, and 1987).
 For 1988 and 1989, enter 2/3 of reserves included in capital gains for capital property disposed of before 1985 (2/3 of the amount entered on line 395 of Form T2017 for 1988 and 1989).
 For 1990 and 1991, enter 3/4 of reserves included in capital gains for capital property disposed of before 1985 (3/4 of the amount entered on line 395 of Form T2017 for 1990 and 1991).
- Column C** For 1992, enter the **lesser** of the amount from line 127 of your 1992 return and the amount from line (f) in Part A of Form T936 for 1992.
 For 1993, enter the **lesser** of the amount from line 127 of your 1993 return and the amount from line (d) in Chart A of Form T936 for 1993.
 For 1994, enter the amount from line (p) in Chart B of Form T936 for 1994.
 For 1995, enter the amount from line (m) in Chart B of Form T936 for 1995.
 For 1996, 1997, 1998, and 1999, enter the amount from line 17 in Chart A of Form T936 for 1996, 1997, 1998, and 1999.
- Column D** For 1992, enter the amount from line (k) in Part B of Form T936 for 1992.
 For 1993, enter the amount from line (k) in Chart B of Form T936 for 1993.

Year	A	B	C	D	E	F	G
					(C - D) <small>If negative, enter "0"</small>	(B + E)	(A - F) <small>If negative, enter "0"</small>
1985			N/A	N/A	N/A		
1986			N/A	N/A	N/A		
1987			N/A	N/A	N/A		
1988			N/A	N/A	N/A		
1989			N/A	N/A	N/A		
1990			N/A	N/A	N/A		
1991			N/A	N/A	N/A		
1992		N/A					
1993		N/A					
1994		N/A		N/A			
1995		N/A		N/A			
1996		N/A		N/A			
1997		N/A		N/A			
1998		N/A		N/A			
1999		N/A		N/A			

Add the amounts in column G and enter the result on line 21 of Part 2 on page 3.

Chart 2 – Calculating lines 28, 35, and 46

Total capital gains deductions claimed after 1984 and before 1988 (line 254 of your 1985 to 1987 returns)	_____	a
Capital gains deductions claimed in 1988 and 1989 excluding eligible capital property (line 254 of your 1988 and 1989 returns minus any amounts reported on lines 543 and 544 on Schedule 3 for 1988 and 1989; if negative, enter "0")	+ _____	b
Adjustment of 1988 and 1989 capital gains deductions (enter 1/4 of amount on line b)	- _____	c
Capital gains deductions claimed in 1988 and 1989 for eligible capital property (total of lines 254 of your 1988 and 1989 returns minus the amount on line c above; not to exceed the total of lines 543 and 544 on Schedule 3 for 1988 and 1989)	+ _____	d
Total capital gains deductions claimed in 1990 to 1999 (line 254 of your returns for these years)	+ _____	e
Adjustment of 1990 to 1999 capital gains deductions (enter 1/3 of amount on line e)	- _____	f
Total of lines a to f	= _____	g

Note 1

If you have disposed of eligible capital property that is qualified farm property, do not complete the remainder of this form. Instead, contact us to obtain the information required to calculate your allowable capital gains deduction.

Note 2

A correction factor is required for the year 2000 because of changes to the inclusion rate announced in the February 28, 2000, federal budget and the October 18, 2000, economic statement.